



VIRGINIA FOREST PRODUCTS ASSOCIATION

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April 9, 2018

Mr. David K. Paylor, Director, Virginia Department of Environmental Quality
Mr. Michael G. Dowd, Director, Air and Renewable Energy Division
Virginia Department of Environmental Quality
1111 E. Main Street
Richmond, Virginia 23219

Dear Director Paylor and Director Dowd,

The Virginia Forest Products Association (VFPA) offers the following comments to the Air Pollution Board regarding the proposed "Regulation for Emissions Trading" for the CO2 Budget Trading Program and its treatment of biogenic carbon dioxide emissions from woody biomass.

VFPA represents Virginia's sawmills and many other forest product related businesses such as paper mills and heavy equipment dealers. Founded as the Lumber Manufacturers Association of Virginia in 1958, we are a non-private organization dedicated to promoting the forest products industry in Virginia. Most of our sawmills are family-owned and operated businesses, many in their third or fourth generation. These lumber mills are usually small businesses with under fifty employees. Typically located in rural Virginia, these mills are not only long-term sources of employment for these areas, they are part of the backbone of their communities. In addition to providing jobs in their counties, they support a range of community organizations such as the local Chamber of Commerce and volunteer fire departments. VFPA's members are proud of their industry and their mills, and they are committed to ethical business and sound environmental practices. Our continued and demonstrated good stewardship of the Commonwealth's forest resource will enable the next generations of our family-owned and operated mills to remain viable contributors to Virginia's third largest industry, an industry that according to the latest Weldon Cooper Center study contributed over \$21 billion dollars to the state's economy.

Sawmills, Biomass, and the Proposed Regulation

VFPA does not support the Commonwealth of Virginia joining the Regulated Greenhouse Gas Initiative (RGGI) because it would raise electric power and natural gas rates. This is a grave concern to our small businesses, as even small saw mills without kilns (< than 5 million board feet per year) have electric bills that average \$6,000 per month. Kiln dryers add substantially to that monthly bill, and larger mills with kilns have monthly electric bills routinely in excess of \$20,000. Our mills' primary competition is in North Carolina, not the RGGI states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. An increase in our utility rates will put us at a competitive disadvantage with our neighbor to the south.

A second, and more critical concern, is the potential impact on our mills if the emissions from the combustion of biomass are treated as a greenhouse gas. Lumber production produces a large amount of manufacturing residuals in the form of mulch, sawdust and chips: mulch from the debarking of the raw log that is fed into the mill, dust from the initial saw cut, and chips from the finishing saws. Even a small mill can produce 25 tons (one tractor trailer load) per day of dust and chips each. There is a large and ready supply of wood residuals from saw mills in the Commonwealth that require a variety of markets. Having ready outlets to dispose of our manufacturing residuals is CRITICAL and NECESSARY to mills; we can't saw lumber if we can't move residuals off the yard, period. We are extremely concerned that disincentivizing the burning of biomass for power in any way could negatively impact sawmills, loggers, and landowners by reducing or eliminating that market. The boiler fuel outlet for our residuals is key to our survival; if it is treated the same as any other fossil fuel but costs more for the utility to procure, they will no doubt select the less expensive option since the benefit - carbon neutrality - is removed.

The science on the carbon neutrality of woody biomass is solid, and VFPA supports the comments and the supporting data submitted to you on this proposed regulation by the American Forest and Paper Association (AF&PA) and the American Wood Council (AWC). To summarize, the harvesting of wood for energy does not contribute to net carbon emissions in cases where the harvesting, measured over a broad region, is offset by wood growth and associated carbon sequestration. The most recent data from the U.S. Forest Service indicate that timberlands in Virginia, the U.S. south, and the entire country have highly positive net growth/removal ratios, clearly demonstrating that U.S. Forestry is sustainable. Specific to Virginia, our own Department of Forestry's (DoF) Reforestation of Timberlands Program has reforested 1.8 million acres since the program's inception in 1970. This industry-funded, state-matched, program provides cost-share assistance to landowners in planting, replanting, and managing forest acreage. Since 1970, landowners and industry have reforested 4 million total acres in Virginia. U.S. Forest Service data from 2016 shows growth/removal ratios for timberlands in Virginia, the U.S. South, and the nation as a whole are 2.29, 1.76, and 1.94, respectively. In other words, Virginia's timberlands are growing more than twice as much wood as harvested, while timberlands in the south grow 76 percent more than is harvested.

When environmental organizations cite the cutting of trees by the forest product industry as inherently negative, they ignore the cyclical nature of managed timberlands. The most significant pressure on the country's forests is the permanent conversion of forests to non-forest uses, such as development. However, in our opinion, strong markets for wood are the most powerful incentive to keep forests in production. Again, from the saw mills' perspective, markets for the finished product AND residuals on the back end are as important as the supply of trees on the front end. A balance in all aspects of supply and demand will keep our businesses and forests healthy. A 2014 article in the Journal of Forestry noted that ". . . if mill residues were not used for energy, most of these materials. . . would be wastes that would either be incinerated, in which case the atmosphere would see the same biogenic CO₂ emissions as if the material had been burned for energy, or disposed of in landfills." The article further states that the net impact of burning for energy on biogenic emissions in terms of warming (i.e. CO₂ equivalents) can actually be less than zero because of the warming potency of the methane generated in landfills. To put this in plain language, back in the 1950s and early 1960s, many sawmills burned their wastes on site in large incinerators as there were not enough markets for the materials. As stated earlier, residuals build up quickly and in large supply in the process of sawing lumber. If

today's mills lose too many markets for residuals, the financial burdens of incinerating on site in today's regulatory climate or the sheer costs of landfill tipping fees for disposal of thousands of tons of residuals would force many sawmills to cease operation. From both economic and environmental perspectives, treating biomass as carbon neutral in energy production makes dollars and sense.

Specific Recommendations

VFPA respectfully requests that the Commonwealth of Virginia not join RGGI. However, if the state does join RGGI, we ask that the following principles be incorporated into the regulation:

Biogenic carbon emissions should be recognized as carbon neutral regardless of whether other fuels also are co-fired;

The DEQ should maintain the current exemption for industrial boilers. These regulations are designed to address utility electrical generation only; the exemption for on-site industrial generation should remain in the final rule. This is also important because of potential market impacts to saw mills if large industrial users lose this incentive for firing with biomass.

Thank you for your consideration of our comments. If you have any questions, please contact me at (804) 658-8659.

Sincerely,

Susan B. Seward
Director of Government Relations